



DEPARTMENT OF TRADE AND INDUSTRY

Room 11.01 Ashdown House 123 Victoria Street SW1E 6RB
Telex 8813148
Telegrams Advantage London SW1
Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

JF4163

PS/Secretary of State for Trade & Industry

5 August 1983

Tim Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Prime Minister

Dear Tim,

To note

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As it has not been possible to fix a meeting between Lord Kadoori and the Prime Minister, I attach a letter and memorandum from Lord Kadoorie which he would like the Prime Minister to see in the absence of a meeting.

Yours ever,

Caroline Varley

CAROLINE VARLEY
Private Secretary

Encls



Tel: 01-499 7070
Chataigne, London, W.1.

The Connaught,
Carlos Place,
London, W1Y 6AL

4-8-83.

Dear Prime Minister,

It was indeed good of you to have agreed to see me this week and I am only sorry that your illness has prevented this from happening.

My wife & I would like to offer you our best wishes for a speedy and full recovery.

As it will not be possible to rearrange an appointment later, may I submit to you a copy of the memorandum I had prepared for our meeting. I have already discussed some of these points



Tel: 01-499 7070
Chataigne, London, W.1.

2
The Connaught,
Carlos Place,
London, W1Y 6AL

with Cecil Parkinson and his officials, but I know that you too take a keen interest in this project which I consider to be of considerable importance to Hongkong's future.

With renewed good wishes

Sincerely yours
Kadooni

NOTES PREPARED FOR MEETING BETWEEN PRIME MINISTER AND
LORD KADOORIE AUGUST 1983

1. That you have been able to find time to see me is very much appreciated, as it enables me to report on the progress of the joint venture project, suggested by the Chinese some three years ago, to build a Nuclear Power Station in China, to supply electricity to Hong Kong.
2. Since I last spoke to you this project has received the approval of the Beijing Government where it has the full support of Mr. Li Peng, Deputy Prime Minister. Mr. Peng Shi Lu who designed China's first Nuclear submarine has been placed in charge of the project.
3. After numerous meetings in Guangzhou with their Chinese colleagues in the proposed joint venture, China Light & Power (CL&P) prepared a very detailed financial assessment which they submitted to the Hong Kong Government for consideration. The latter has employed the merchant banking firm of Lazards to check on the viability of the project.
4. CL&P and Guangdong Power Co.(GPC) have now entered "Phase II" of the feasibility study which will carry us up to the time when a definite decision must be taken as to whether the project will proceed as presently envisaged, who will participate and how the nuclear power station is to be built and operated.
5. I am convinced that the power station will be built in Guangdong Province with or without British participation - there is plenty of evidence of international interest.

6. The Chinese are insistent that CL&P should take the lead during this formative period when such important matters as choice of plant, top management, architect-engineers/^{are decided}and fully qualified persons must be engaged.
7. Unfortunately Mr. Peng Shi Lu (Deputy Minister, Ministry of Water Resources & Electric Power and Guangdong Province official) is impatient, does not seem to be cost conscious and is rather inclined to take suppliers at their word rather than asking for details. He accuses the Hong Kong Government of "dragging its feet". This causes embarrassment both to Government and CLP since the former cannot proceed until Exco has had time to consider the Lazard report and CL&P being a controlled utility company cannot move in this matter until officially informed that they are authorised to do so.
8. However as it is essential to let the Chinese know that the HKG and CL&P are very much interested in the project and if we are to retain any influence in the joint venture, I have taken upon myself to proceed with "Phase II" of the feasibility study as distinct from a commitment to the "project" itself.
9. It is here in the preparatory stage that I would request your support. The assistance of such specialist bodies as CEGB., AEA and the like is essential.
10. The Chinese have given a letter of intent to Framatome that they will be awarded the nuclear island and it is quite clear that they are anxious to award the conventional island to GEC. However not too surprisingly they have reservations regarding the purchase of prototype plant - GEC never having built a 950 mw. turbine and generator operating at 3000 rpm.

-3-

11. An illustration of China's desire to purchase the conventional island from the UK has been Mr. Li Peng's suggestion that the new Power Station should have one 950 mw. reactor and two x 475 mw. turbine generators, thus enabling GEC to provide well-proven rather than prototype plant. This, in spite of his having received technical advice that one complete 950 mw. unit was preferable.

12. I am glad to say that two days prior to my departure from Hong Kong I was informed that the Chinese had decided to give sympathetic consideration to a 950 mw. turbine and generator, thus reflecting their confidence in GEC.

13. Dealing with Mr. Peng Shi Lu and his colleagues has been difficult and at times frustrating: infinite patience is required. Fortunately the very special relationship built up by Mr. Stones, who has led the CL&P team over the past 4 years, and Mr. Chen Gang his opposite number in GPC, provides us with an advocate able to follow up in our absence.

14. In conclusion I would stress that did I not sincerely believe this project, coming as it has at a sensitive period in HK's history, to be of such lasting importance to Hong Kong's future and to the future of Sino-British relations, we would not have put in the time and effort necessary to bring it to this stage of development.

15. In the light of this, I and my colleagues on the Board consider it essential for the HK Government to become a substantial shareholder in Hong Kong Nuclear Investment Company (HKNIC) thus demonstrating to the Chinese in a practical way their full support for the project and the role it will play in China's 4 modernisation programme.

-4-

16. To my mind, if this project is successful it will place Sino-British trade in the forefront of western contacts with China but if a failure it could well set back Sino-British relations by some 50 years.